

Request for Proposals

Issued by:

Mississippi Department of Employment Security

RFx Number: 3120000701

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TO: Prospective Proposers

FROM: Mississippi Department of Employment Security

DATE: April 14, 2016

SUBJECT: Request for proposals for performing all procedures necessary to issue separate audit reports and management reports on certain funds and selected federal programs for the state fiscal year 2016 financial statements of the Mississippi Department of Employment Security.

The Mississippi Department of Employment Security invites you to submit a proposal to provide professional auditing services in conjunction with rendering separate reports of the fair presentation of the financial statements on certain selected funds of the Mississippi Department of Employment Security (MDES) to the Office of the State Auditor (OSA). The selected funds and federal programs are considered significant to the State's financial statements and as such were selected by the OSA for audit in relation to its audit of the State of Mississippi's fiscal year 2016 *Comprehensive Annual Financial Report* and *Single Audit Report*.

The June 30, 2016, GAAP reporting packages and underlying records for the program will be examined for completeness and accuracy. Adjusting entries to the trial balance generated by the Department of Finance and Administration ("DFA") will be prepared on the DFA adjusting entry standardized forms and submitted to the State Auditor's Office ("OSA") for approval within the due dates specified by OSA. The funds to be audited are in the Special Revenue Fund type (Funds 3367800000 and 5367100000) and the Unemployment Compensation Fund type (Funds 8819100000 and 8819400000). In addition, the Schedule of Expenditures of Federal Awards prepared by the agency for funds 5367100000, 8819100000, and 8819400000 will be audited. The trial balance for these funds and the Schedule of Expenditures of Federal Awards are scheduled to be available August 15, 2016. The federal programs 17.225 Unemployment Insurance, 17.258 WIA Adult Program, 17.259 WIA Youth Activities, 17.260 WIA Dislocated Workers, and flow-thru funds received from the MS Department of Human Services 93.558 Temporary Assistance for Needy Families (TANF) are to be audited. The audited federal programs are considered to be major programs to the State for the fiscal year ended June 30, 2016. The trial balances for these funds for fiscal year 2016 are scheduled to be available August 15, 2016.

Three external reports are required for each program: (1) Financial statements for the state fiscal year 2016 (with appropriate notes), including a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) a report on compliance and internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, and (3) a report on compliance with requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards. In addition, the

CONTRACTOR will be required to complete the following forms for the OSA for each major program: conclusion memorandum on the fair presentation of the schedule of expenditures of federal awards; conclusion memorandum on compliance with requirements applicable to the program and internal control over compliance in accordance with OMB Circular A-133; and, conclusion memorandum on other audit findings which are not required to be reported in the Single Audit.

The financial statements should be presented in accordance with the most current Governmental Accounting Standards Board Statements that are in effect during the fiscal year.

Agreements entered into will be between the Mississippi Department of Employment Security, the selected Firm, and the Office of the State Auditor. The Office of the State Auditor will rely upon and refer to this independent audit in the “Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133” in the Single Audit Report for the State of Mississippi for fiscal year 2016.

The audits of the 2015 financial statements of the Special Revenue Funds and federal programs listed above were conducted by BKD, LLP, and are available at www.osa.ms.gov. The 2015 audit work papers are available for review. Please contact Tim Burns, BKD, LLP at 601-948-6700 in order to schedule a time for work paper review.

MDES reserves the right, without qualification, to select any Proposal as a basis for negotiation, to reject all proposals and to exercise discretion and apply judgement with respect to any Proposal submitted.

This Request for Proposals does not commit MDES to pay the costs incurred in connection with any Proposal or to procure or contract for any services.

All proposals must be received by MDES no later than 2:00 p.m. CDST, May 5, 2016.

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PURPOSE

The purpose of the Request for Proposals is to obtain written proposals for an audit of the June 30, 2016 GAAP reporting packages and underlying records for each of the selected funds for completeness and accuracy. Adjusting entries to the trial balances generated by MDES will be prepared on the Department of Finance and Administration (DFA) adjusting entry standardization forms and submitted to the Office of the State Auditor (OSA) for approval within the due dates specified by OSA. The treasury funds to be audited are Special Revenue Funds 3367800000 and 5367100000 and Unemployment Compensation Funds 8819100000 and 8819400000. In addition, the Schedule of Expenditures of Federal Awards prepared by the agency for treasury funds 5367100000, 8819100000 and 8819400000 will be audited. The trial balance for the treasury funds are scheduled to be available August 15, 2016. The federal programs to be audited are the Unemployment Insurance Program 17.225, the WIA Cluster that includes Adult, Youth Activities, Dislocated Workers and the Temporary Assistance for Needy Families Cluster. These programs are considered to be major programs to the State for the fiscal year ended June 30, 2016.

PART I - GENERAL TERMS AND CONDITIONS

A. ISSUING OFFICE

This offer is issued for the State of Mississippi by the Mississippi Department of Employment Security ("MDES"). MDES reserves the right, without qualifications, to select any Proposal as a basis for negotiation, to reject all proposals, and to exercise its discretion and apply its judgement with respect to any Proposal submitted.

B. CONTRACT TYPE AND PRICE

It is anticipated that the contract subsequent to this solicitation will be awarded on a cost reimbursement basis of an hourly rate. A Schedule of Professional Fees and Expenses should be submitted with the Proposal.

C. PROPOSAL SUBMISSION AND DEADLINE

All Proposers must submit one (1) original and five (5) copy of the entire Proposal. **All proposals must be received by MDES no later than 2:00 p.m. CDST May 5, 2016.** It is suggested that if you mail in proposals, post it certified mail with a return receipt guaranteed. MDES will not be responsible for mail delays or lost mail.

Proposals must be mailed to:

Mississippi Department of Employment Security
Attention: Danny Lynch
P.O. Box 1699
Jackson, MS 39215-1699

SEALED PROPOSALS - DO NOT OPEN

Proposals may be delivered to:

Mississippi Department of Employment Security
Attention: Danny Lynch
1235 Echelon Parkway
Jackson, MS 39213

SEALED Proposal - DO NOT OPEN

Submission Deadline: May 5, 2016 by 2:00 p.m. CDST

Proposals shall be submitted in sealed envelopes or packages addressed to the office specified above. All Proposals received after the submission deadline will be returned to the Proposer unopened.

One (1) original and five (5) copy of the Proposal shall be submitted.

Receipt or acceptance of a submission does not imply commitment or obligation on the part of the State of Mississippi to fund any Proposal submitted.

D. ACCEPTANCE/REJECTION OF PROPOSALS

Failure to furnish all information or to follow the format identified in these guidelines may disqualify the Proposal. It is important that each section of the original Proposal be submitted in the most complete manner possible. MDES also reserves the right to consult with outside parties in evaluation of Proposals. All Proposals become the property of the State of Mississippi upon receipt and will not be returned to the Proposer.

E. PROPOSAL PREPARATION EXPENSES

MDES will not pay any costs incurred in the preparation and submission of Proposals.

F. WITHDRAWALS OF PROPOSALS

Proposals may be withdrawn by written notice received at any time before award.

G. PROPOSAL MODIFICATIONS

- a. Any requests to modify Proposals must be submitted in writing by the Primary Proposer. All requests for modifications must be submitted prior to the Proposal submission deadline. MDES reserves the right to deny any requests for Proposal modification.
- b. **Acknowledgment of Amendments**
Proposers shall acknowledge receipt of any amendment to the solicitation by signing and returning the amendment with the Proposal, by identifying the amendment number and date by letter. The acknowledgment must be received by MDES by the time and at the place specified for receipt of Proposals.

H. EQUAL OPPORTUNITY

Contracts, purchases, and other financial transactions are administered by MDES equally to all without regard to race, color, creed, sex, national origin, disability, or age.

I. EFFECTIVE PERIOD OF PROPOSAL

All Proposals are required to remain in effect for at least 60 days from the date submitted to MDES for review.

J. AMENDMENTS TO PROPOSAL SPECIFICATIONS

MDES reserves the right to issue amendments to these guidelines. If it becomes necessary to amend said guidelines, MDES will provide copies of the amendments to all Proposers having submitted Proposals based on earlier guidelines.

K. ORGANIZATIONAL CONFLICT OF INTEREST

In the event that an organizational conflict of interest should arise concerning this procurement, MDES shall have the authority and responsibility to make the affirmative determination as to whether: (1) there would exist a conflict as a result of an award or (2) that such conflict would be avoided after appropriate conditions are included in the award instrument. In the event that MDES determines that a conflict of interest exists and that such conflict cannot be avoided by including appropriate conditions in the award instrument, MDES may nevertheless authorize the award, if a determination is made that it is in the best interest of the State of Mississippi to make such award, and the award instrument includes appropriate conditions in such contract agreement or arrangements to mitigate such conflict.

L. QUESTIONS CONCERNING PROPOSALS

Written questions concerning a Proposal, prior to or after submission, will be answered as quickly as possible.

Questions regarding Proposal content, form, or technical aspects will require a written request in order to properly document both request and response. Please address all inquiries to:

Mississippi Department of Employment Security
Attention: Danny Lynch
1235 Echelon Parkway
Jackson, MS 39213
bids@mdes.ms.gov

M. AWARD ANNOUNCEMENT DATE

It is anticipated that selection decisions will be made prior to June 1, 2016.

PART II - WORK STATEMENT

The work for this RFP includes performing all procedures necessary to issue separate reports including an opinion on the fair presentation of the financial statements to the OSA and selected federal programs for the State fiscal year ending June 30, 2016.

The June 30, 2016, GAAP reporting packages and underlying records for each of these programs will be examined for completeness and accuracy. Adjusting entries will be prepared to the trial balances generated by DFA. These adjusting entries will be prepared on the DFA adjusting entry standardized forms and submitted to OSA for approval within the due dates specified by OSA. It is anticipated that the financial statements will be available August 20, 2016 for fiscal year 2016.

Three external reports are required for each program: (1) Financial statements for the state fiscal year 2016 (with appropriate notes), including a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, (2) a report on compliance and internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, and (3) a report on compliance with requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards. In addition, the CONTRACTOR will be required to complete the following forms for the OSA for CFDA # 66.458, which has been selected as a major program for the Single Audit Report for the State of Mississippi: conclusion memorandum on the fair presentation of the schedule of expenditures of federal awards; conclusion memorandum on compliance with requirements applicable to the program and internal control over compliance in accordance with OMB Circular A-133; and, conclusion memorandum on other audit findings which are not required to be reported in the Single Audit.

The auditing services will be made in conformity with the following guidelines and regulations:

1. The standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards which includes auditing standards generally accepted in the United States of America as set forth by the American Institute of Certified Public Accountants.
2. The standards for federal audits set forth in the Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
3. Specific items or reports prescribed by the OSA as set forth in the attached Audit Services Schedule.
4. Statements of financial accounting standards as prescribed by the Governmental Accounting Standards Board.

The CONTRACTOR will conduct the audits in accordance with auditing standards specified herein. Accordingly, the CONTRACTOR will examine, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assess the accounting principles used and significant estimates made by MDES and evaluate the overall financial statement presentation.

As a part of the CONTRACTOR's audits, it will consider MDES' internal control over financial reporting in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements of each program and not to provide assurance on the internal control over financial reporting. This consideration will not be sufficient to enable the CONTRACTOR to render separate opinions on the effectiveness of the internal control over financial reporting.

As a part of the CONTRACTOR's audits, it will audit the compliance of MDES with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to this program. The CONTRACTOR will also consider MDES' internal control over compliance with requirements that could have a direct and material effect on a federal program in order to determine auditing procedures for the purpose of expressing an opinion on compliance for each program and to conclude on the internal control over compliance in accordance with OMB Circular A-133.

The objective of the audits is to obtain reasonable assurance about whether the financial statements of each program are free of material misstatement whether arising from errors, fraudulent financial reporting or misappropriation of assets. MDES acknowledge that while effective internal control reduces the likelihood that misstatements of this nature may occur and remain undetected, it does not eliminate that possibility. For that reason and because the CONTRACTOR uses selective testing in its audit, the CONTRACTOR cannot guarantee that material misstatements, if present, will be detected.

The financial statements referred to above are the responsibility of the management of MDES. In this regard, management is responsible for properly recording transactions in the accounting records and maintaining an internal control structure sufficient to permit the preparation of reliable financial statements. Management is also responsible for making available to the CONTRACTOR, upon request, all of MDES' original accounting records and related information, and MDES personnel to whom the CONTRACTOR's audit staff may direct inquiries.

As required by applicable auditing standards, the CONTRACTOR will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of the internal control structures. Auditing standards generally accepted in the United States of America also require that the CONTRACTOR obtain representation letters covering the financial statements from certain members of MDES' management. The results of the audit tests, the responses to the CONTRACTOR'S inquiries and the written representations comprise the evidential matter the CONTRACTOR will rely upon in forming an opinion on the financial statements of each program. Because of the importance of management's representations to an effective audit, MDES agree to release the CONTRACTOR and its personnel from any liability and costs relating to their services under this letter attributable to any misrepresentations by management contained in the representation letter referred to above.

MDES and/or the Office of the State Auditor (OSA) shall have the right to reject, at any time during this contract period, any work not meeting the terms of this contract(s). Should MDES or OSA reject any services, MDES' or OSA's authorized representative shall notify the

CONTRACTOR in writing by registered mail of such rejection giving the reasons therefore. The right to reject services shall extend throughout the life of this contract.

MDES and OSA may request the CONTRACTOR to perform additional duties under the contract. Before this work would begin, MDES and OSA, and the CONTRACTOR will mutually agree in writing upon the terms, including compensation, for the additional work to be performed.

The CONTRACTOR shall submit the completed reports on the financial statements and the federal programs and management letters for the 2016 audit services to the Office of the State Auditor. Adjustments are due by September 30, 2016. The financial statement reports are due by October 31, 2016, and the program-specific audit of the federal programs is due by December 15, 2016.

The CONTRACTOR acknowledges that MDES and OSA are relying on the timely completion of this contract in its scheduling and budgeting and that time is of the essence. If the CONTRACTOR fails to meet the completion date prescribed herein, MDES and/or OSA may, at their option, reduce the agreed compensation by an amount not to exceed ten percent (10%) of the total contract(s) amount as liquidated damages for the failure to complete the contract(s) by the completion date.

MDES and/or OSA's authorized representatives are empowered to accept or reject the services furnished by the CONTRACTOR in compliance with the provisions of this contract(s) and the attached Audit Services schedule (Attachment A). However, any rejection of services must be based solely on the CONTRACTOR's failure to comply with the terms of this contract(s), and cannot be based on the nature of the CONTRACTOR's opinion on the financial status of MDES in its audit report.

The CONTRACTOR shall have a certified public accountant (CPA) as the certifying official of the final reports.

PART III - INSTRUCTIONS TO PROPOSERS

A. PROPOSAL REQUIREMENTS

The CONTRACTOR's Proposal shall include the following:

1. A description of the CONTRACTOR's qualifications for performing professional auditing services.
2. The length of time the company has been performing such services. A listing of previous governmental audits completed should be included in the Proposal.
3. The company's tax I.D. number.
4. An affirmative statement that it is independent of MDES as defined by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
5. A copy of the report of its most recent external quality review including a statement indicating whether that quality review included a review of specific government engagements.
6. A Schedule of Professional Fees and Expenses.
7. Representation Regarding Gratuities. The Proposer, shall represent that it has/has not violated, is/is not violating, and promises that it will/will not violate the prohibition against gratuities, set forth in Section 7-204 (Gratuities) of the Mississippi Personal Service Contract Procurement Regulations.
8. Certification of Independent Price Determination. The Proposer shall certify whether or not the prices submitted in response to the solicitation have been arrived at independently and without –for the purpose of restricting competition- any consultation, communication, or agreement with any other Proposer or competitor relating to those prices, the intention to submit a Proposal, or the methods or factors used to calculate the prices proposed.
9. Representation Regarding Contingent Fees. The Proposer shall represent that it has/has not retained a person to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except as disclosed in the contractor's Proposal.
10. Prospective Contractor's Representation Regarding Contingent Fees. The prospective contractor shall represent as a part of such contractor's Proposal that such contractor has/has not retained any person or agency on a percentage, commission, or other contingent arrangement to secure this contract.

B. PERIOD OF CONTRACT

The contract shall expire one hundred twenty (120) days after the delivery of the financial statements for fiscal year 2016 (with accompanying notes), including a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America, and a report on compliance and internal controls based on an audit of financial statements performed in accordance with Government Auditing Standards, and the management letters, so that any questions raised during the audit may be resolved.

C. INSURANCE

The CONTRACTOR shall carry workers' compensation insurance as required by law. The CONTRACTOR agrees to hold MDES and OSA harmless and indemnify MDES and OSA against any liability for injury or death to any person or damage to any property in connection with services performed under this contract. The CONTRACTOR shall furnish upon demand, proof of coverage to MDES or OSA.

D. PAYMENTS

MDES as applicable, shall pay, or make payments on, invoices received in accordance with the following schedule or procedure:

The CONTRACTOR shall submit monthly invoice(s) to MDES with supporting documentation of costs incurred. The invoices shall outline the work performed and number of hours worked. MDES shall pay ninety percent (90%) of each invoice and will retain the remaining ten percent (10%) for each year audited until final payment is made for each year audited. MDES will pay such invoices in accordance with the law related to timely payment for purchases by public bodies (Miss Code Ann. Section 31-7-301 et seq., Rev.2005). The final payment, including retained amounts, shall be made after completion and acceptance of the auditing services for completion of each fiscal year's audit. In no instance will a payment be made in excess of the contract amount.

PART IV - PROJECT NEGOTIATIONS AND AWARD OF CONTRACT

It is the intent of MDES to conduct negotiations for award of a contract to the best offer as determined by the evaluation of competitive Proposals, all relevant factors considered. A contract will be awarded only if it is within available funds and in the best interest of MDES.

All qualified Proposals will be forwarded to the MDES Selection Committee ("MSC"). The MSC will evaluate each Proposal for completeness in accordance with Part III, Section A. Total price of the audit will be considered by the MSC for determination of the selected Proposal. The hourly rate may be computed for comparison purposes, in the event extreme deviations in cost or hours are noted.

MDES' Request for Proposals and the CONTRACTOR's technical Proposal for professional services shall be incorporated as part of the awarded contract(s).

MDES reserves the right to seek outside technical analysis of any Proposal.

PART V - PROPOSAL FORM

All Proposals shall be prepared in accordance with this section. Although there are no specific length limitations, Proposals should be concisely written, indexed (cross-indexed as appropriate), and logically assembled. All pages of each part shall be appropriately identified. The Proposal shall consist of one document, which shall address, at the minimum, the following items:

1. SOLICITATION AND OFFER DOCUMENT

The cover page of this solicitation will be submitted with the Proposal.

2. TRANSMITTAL LETTER

A brief letter formally submitting the project for consideration must be included. The transmittal letter should be signed by the individual Proposer or authorized representative of the proposing organization.

3. TABLE OF CONTENTS

A table of contents listing the major sections, subsections and appendices of the Proposal must be included.

4. PROPOSAL NARRATIVE

This section should contain at the minimum, all information requested in Part III - Instructions to Proposers, Section A. Proposal Requirements.

PART VI - CONTRACT CLAUSES

The following are some of the clauses that will be in the contract when awarded.

1. Key Personnel

The personnel listed below are considered essential to the work being performed hereunder. Prior to removing, replacing, or diverting any of the specified individuals, the CONTRACTOR shall notify MDES and OSA reasonably in advance and shall submit justification, including proposed substitutions, in sufficient detail to permit evaluation of the impact on this contract. No replacement shall be made by the CONTRACTOR without the written consent of MDES and OSA; provided, MDES and OSA may ratify in writing the change, and such ratification shall constitute the consent of MDES and OSA. Key personnel for this contract includes: (Key personnel are those persons referred to in Part III, A.1).

2. Employment Status

The CONTRACTOR shall, during the entire term of this contract(s), be construed to be an independent contractor. Nothing in this contract(s) is intended to nor shall be construed to create an employer-employee relationship, or a joint venture relationship.

CONTRACTOR represents that it is qualified to perform the duties to be performed under this contract(s) and that it has, or will secure, if needed, at its own expense, applicable personnel who are qualified to perform the duties required under this contract(s). Such personnel shall not be deemed in any way, directly or indirectly, expressly or by implication, to be employees of MDES or OSA.

Any person assigned by the CONTRACTOR to perform the services hereunder shall be the employee of the CONTRACTOR, who shall have the sole right to hire and discharge its employee.

The CONTRACTOR shall pay when due, all salaries and wages of its employees and accepts exclusive responsibility for the payment of federal income tax, state income tax, social security, unemployment compensation and any other withholdings that may be required. Neither the CONTRACTOR nor employees of the CONTRACTOR are entitled to state retirement or leave benefits.

It is further understood that the consideration expressed herein constitutes full and complete compensation for all services and performances hereunder, and that any sum due and payable to the CONTRACTOR shall be paid as a gross sum with no withholdings or deductions being made by MDES or OSA for any purpose from said contract sum except as permitted in Paragraph 21, Termination and Part II Work Statement.

3. Ownership of Documents and Work Products

The working papers prepared in conjunction with the services under this contract(s) are the property of the CONTRACTOR, constitute confidential information and will be retained by the CONTRACTOR for a period no less than five (5) years. The CONTRACTOR may retain copies of all records required for record keeping purposes or for compliance with applicable professional standards. OSA will retain the right to access the work papers as necessary.

Audit working papers shall also be made available upon request to the cognizant agency or oversight agency for audit or its designee, a Federal agency providing direct or indirect funding or GAO at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities.

The CONTRACTOR is prohibited from use of the above described information and/or materials without the express written approval of MDES.

4. Record Retention and Access to Records

The CONTRACTOR shall maintain and make available to MDES or OSA, any financial records, supporting documents, statistical records and all other records pertinent to the services performed under this contract(s) in accordance with the CONTRACTOR's policies and procedures or professional regulatory requirements. These records shall be maintained for at least five (5) years; however, if any litigation or other legal action, by or on behalf of the State has begun that is not completed at the end of the five (5) year period, or if audit findings, litigation or other legal action has not been resolved at the end of the five (5) year period, the records shall be retained until resolution.

5. Modification or Amendment

MDES or OSA may, from time to time, request changes in the scope of services of the CONTRACTOR to be performed thereunder. Such changes, including any increase or decrease in the amount of the CONTRACTOR's compensation, which are mutually agreed upon by and between MDES, OSA, and the CONTRACTOR shall be included in written amendments to this contract signed by all parties prior to the work being performed.

6. Assignment

The CONTRACTOR shall not assign or otherwise transfer the obligations incurred on its part pursuant to the terms of this contract without the prior written consent of MDES and OSA. Any attempted assignment or transfer of its obligations without such consent shall be null and void. All obligations and duties of either party under this contract shall be binding on all successors in interest or assigns of such party.

7. Waiver

Failure of either party hereto to insist upon strict compliance with any of the terms, covenants and conditions hereof shall not be deemed a waiver or relinquishment of any similar right or power hereunder at any subsequent time or of any other provision hereof, nor shall it be construed to be a modification of the terms of this contract.

8. Indemnification

The CONTRACTOR agrees to indemnify, defend, save and hold harmless, MDES and OSA from and against all claims, demands, liabilities, suits, damages and costs of every kind and nature whatsoever, including court costs and attorney fees, arising out of or caused by a negligent or wrongful act of the CONTRACTOR, its officers or employees in the performance of services under this contract.

9. Insurance

The CONTRACTOR represents that it will maintain workers' compensation insurance as prescribed by law which shall inure to the benefit of the CONTRACTOR'S personnel, as well as comprehensive general liability, or professional liability insurance and, where applicable, employee fidelity bond insurance. The CONTRACTOR will, upon request, furnish MDES or OSA with a certificate of conformity providing the aforesaid coverage.

10. Governing Law

This contract(s) shall be construed and governed in accordance with the laws of the State of Mississippi and venue for the resolution of any dispute shall be Jackson, Hinds County, Mississippi. The CONTRACTOR expressly agrees that under no circumstances shall MDES or OSA be obligated to pay an attorney's fee or the cost of legal action to the CONTRACTOR.

11. Severability

If any term or provision of this contract(s) is prohibited by the laws of the State of Mississippi or declared invalid or void by a court of competent jurisdiction, the remainder of the contract(s) shall not be affected thereby and each term and provision of the contract(s) shall be valid and enforceable to the fullest extent permitted by law.

12. Disputes

Any dispute concerning a question of fact arising under this contract shall be disposed of by good faith negotiation between a duly authorized representative of MDES, OSA, and the CONTRACTOR. Such a resolution shall be reduced to writing and a copy thereof mailed or furnished to the CONTRACTOR and shall be final and conclusive. If a resolution cannot be reached, the CONTRACTOR shall mail or furnish to MDES and OSA a written request for review. The CONTRACTOR shall be afforded an opportunity to be heard and to offer evidence in support of his/her/its position on the issue in dispute and under review. The review will be

handled under a three (3) person panel for arbitration composed of the Deputy State Auditor, the Director of Technical Assistance and the Director of the Financial and Compliance Audit Division. The decision of the arbitration panel of OSA on the review shall be final and conclusive unless determined by a court of competent jurisdiction in Hinds County, State of Mississippi, to have been fraudulent, capricious, or so grossly erroneous as necessarily to imply bad faith, or not to be supported by substantial evidence. Pending the final decision of a dispute hereunder, the CONTRACTOR shall proceed diligently with the performance of the duties and obligations of the contract.

13. Compliance with Laws

The CONTRACTOR understands that MDES and OSA are equal opportunity employers and therefore maintains a policy which prohibits unlawful discrimination based on race, color, creed, sex, age, national origin, physical handicap, disability, or any other consideration made unlawful by federal, state or local laws. All such discrimination is unlawful and the CONTRACTOR agrees during the term of the agreement that the CONTRACTOR will strictly adhere to this policy in its employment practices and provision of services. The CONTRACTOR shall comply with, and all activities under this agreement shall be subject to, all applicable federal, State of Mississippi, and local laws and regulations, as now existing and as may be amended or modified. The CONTRACTOR shall ensure that any person assigned to perform services hereunder meets the employment eligibility requirements of the immigration and naturalization laws including but not limited to the Immigration Reform and Control Act of 1986.

14. Conflict of Interest

The CONTRACTOR shall notify MDES and OSA of any potential conflict of interest including, but not limited to a conflict of interest resulting from the representation of or service to other clients. If such conflict cannot be resolved to MDES and OSA's satisfaction, MDES and OSA reserve the right to terminate this contract or to award the specific test(s) to another CONTRACTOR.

15. Third Party Action Notification

The CONTRACTOR shall give MDES and OSA prompt notice in writing of any action or suit filed, and prompt notice of any claim made against the CONTRACTOR by any entity that may result in litigation related in any way to this contract.

16. Authority to Contract

The CONTRACTOR warrants that it is a validly organized business with valid authority to enter into this contract, that entry into and performance under this contract is not restricted or prohibited by any loan, security, financing, contractual or other agreement of any kind, and notwithstanding any other provision of this contract to the contrary, that there are no existing legal proceedings, or prospective legal proceedings, either voluntary or otherwise, which may adversely affect its ability to perform its obligations under this contract.

17. Confidential Information

The CONTRACTOR shall treat all MDES data and information to which it has access by its performance under this contract as confidential to the extent that confidential treatment of same is required under federal and/or state law and shall not disclose such data or information to a third party without specific written consent of MDES. In the event that the CONTRACTOR receives notice that a third party requests divulgence of confidential or otherwise protected information and/or has served upon it a subpoena or other validly issued administrative or judicial process ordering divulgence of confidential or otherwise protected information, the CONTRACTOR shall promptly inform MDES and thereafter respond in conformity with such subpoena to the extent mandated by state or federal law. This section shall survive the termination or completion of this contract.

18. Captions

The captions or headings in this contract are for convenience only, and in no way define, limit or describe the scope or intent of any provision or section of this contract.

19. Special Terms and Conditions

It is agreed and understood by the parties to this contract that there are no special terms or conditions.

20. Notice

Any notices required or authorized to be given under this contract shall be in writing and sent by certified United States mail, postage prepaid, return receipt requested, to the addresses designated in this paragraph. Each party may change the person and address designated by delivering written notice to the other party. Any notice shall be effective when actually delivered to the designated address.

For MDES: Danny Lynch
Department Chief, Procurement
MS Dept. of Employment Security
P.O. Box 1699
Jackson, MS 39215-699

For OSA: Stephanie Palmertree, CPA
Director of Agency Audit Section
State Auditor's Office
501 North West St.
Suite 801 Woolfolk Building
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21. Termination

This contract(s) may be terminated as follows:

a. Termination Upon Bankruptcy:

This contract(s) may be terminated in whole or in part by MDES or OSA upon written notice to the CONTRACTOR, if the CONTRACTOR should become the subject of bankruptcy or receivership proceedings, whether voluntary or involuntary, or upon the execution by the CONTRACTOR of an assignment for the benefit of its creditors. In the event of such termination, the CONTRACTOR shall be paid an amount for all services actually performed pursuant to this contract, but in no case shall said compensation exceed the total contract price; or

b. Termination for Convenience:

MDES or OSA may terminate this contract with or without cause, by providing a thirty (30) day written notice of termination to the CONTRACTOR;

c. Termination for Cause:

Upon the failure of either party to perform any obligation or observe any covenant required hereunder, the non-defaulting party, with the written consent of OSA, shall have the right to send a written notice to the defaulting party specifying such failure and demanding cure within ten (10) days of receipt of such notice. If the defaulting party has not remedied such failure within the cure period, or has not made substantial progress toward remedying such failure within the cure period, then the non-defaulting party may terminate the contract immediately by sending a written notice of termination to the defaulting party. However, prior to termination of this contract by MDES, MDES must provide written justification to OSA documenting the reasons for requesting the contract be terminated. MDES must obtain written approval from OSA prior to terminating the contract. In the event of termination for cause by MDES and/or OSA, in addition to other remedies provided herein or available at law or in equity, the CONTRACTOR shall bear all cost associated with the issuance of a new contract for audit services, including, but not limited to, the costs of reissuing another request for Proposals and additional costs resulting from an acceleration of services necessary for the timely completion of such auditing services.

In the event of termination, the CONTRACTOR will be entitled to payment for services in an amount which bears the same ratio to the total compensation as the services actually performed bear to the total services of the CONTRACTOR covered by the contract, less payments previously made. In no instance will a payment be made in excess of the contract amount. In addition, the CONTRACTOR agrees to provide copies of all finished or unfinished tests, surveys, checklists, forms, manuals, reports or other material prepared by the CONTRACTOR under this contract to OSA.

Notwithstanding the above, the CONTRACTOR shall not be relieved of liability to MDES or OSA for damages sustained by MDES or OSA by virtue of any breach of this contract by the CONTRACTOR, and MDES or OSA may withhold any payments to the CONTRACTOR for the purpose of set off until such time as the exact amount of damages due MDES or OSA from the CONTRACTOR are determined. MDES or OSA may also pursue any remedy available to it in law or in equity.

22. Final Payment

Upon satisfactory completion of the work performed under this contract, as a condition before final payment under this contract or as a termination settlement under this contract, the CONTRACTOR shall execute and deliver to MDES, and OSA, a release of all claims against MDES and OSA arising under, or by virtue of, this contract, except claims which are specifically exempted by the CONTRACTOR to be set forth therein. Unless otherwise provided in the contract, by state law or otherwise expressly agreed to by the parties in this contract, final payment under this contract or settlement upon termination of this contract shall not constitute waiver of MDES or OSA's claims against the CONTRACTOR or his sureties under this contract or applicable performance and payment bonds.

23. Contract Changes

MDES or OSA may, at any time, by written order, make changes within the general scope of the contract as to the services or work to be performed. If such changes cause an increase or a decrease in the CONTRACTOR's cost or time required to perform any services under this contract, whether or not changed by any order, MDES or OSA shall make an equitable adjustment and modify this contract in writing. The CONTRACTOR must assert any claim for adjustment under this clause in writing within thirty (30) days from the date it receives MDES or OSA notification of change, unless MDES or OSA grants additional time before the date of final payment. No services for which the CONTRACTOR will charge an additional compensation shall be furnished without the written authorization of MDES or OSA.

24. Funding

The parties expressly understand that the fulfillment of the payment obligations of MDES under this agreement is conditioned upon the availability and receipt of State funds. In the event that funds are insufficient or otherwise unavailable to satisfy payments due under this agreement, MDES shall not be obligated to make such payments, and all further obligations of MDES and the CONTRACTOR under this agreement shall cease immediately, without penalty, cost or expense to MDES or the CONTRACTOR of any kind whatsoever. In the event of such insufficiency or unavailability of funding, MDES shall promptly notify the CONTRACTOR and OSA in writing, of such event. The CONTRACTOR shall be entitled to payment for services in the amount determined or the amount of available funds, whichever is less.

This contract, including the request for Proposal and the CONTRACTOR's technical Proposal, and the Audit Services Schedule, constitutes the entire agreement of the parties with respect to

the subject matter contained herein and supersedes and replaces any and all prior negotiations, understandings and agreements, written or oral, between the parties relating thereto.

25. Representation Regarding Contingent Fees

The CONTRACTOR represents that it has not retained a person to solicit or secure a State contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except as disclosed in the contractor's Proposal.

26. Representation Regarding Gratuities

The CONTRACTOR represents that it has not violated, is not violating, and promises that it will not violate the prohibition against gratuities set forth in Section 7-204 (Gratuities) of the Mississippi Personal Service Contract Procurement Regulations.

27. Procurement Regulations

The contract shall be governed by the applicable provisions of the Personal Service Contract Review Board Regulations, a copy of which is available at 301 North Lamar Street, Jackson, MS for inspection.

28. Applicable Law

The contract shall be governed by and construed in accordance with the laws of the State of Mississippi, excluding its conflicts of laws provisions, and any litigation with respect thereto shall be brought in the courts of the state. The CONTRACTOR shall comply with applicable federal, state, and local laws and regulations.

29. Small, Minority and Women Businesses

It is the federal grantor agency's policy to award a fair share of contracts to small minority and women businesses. The CONTRACTOR shall ensure, to the fullest extent possible, that at least the applicable fair share objectives for supplies, equipment and services are made available to Minority Business Enterprises (MBE)/Women Business Enterprises (WBE). The CONTRACTOR shall also include in its Proposal for documents for Subcontractors the following fair share of objectives:

Equipment:	6.8% MBE and 5.1% WBE
Supplies:	7.7% MBE and 3.4% WBE
Services:	1.1% MBE and 2.2% WBE

CONTRACTORS awarded contracts with full or partial federal funding will abide by the following affirmative steps and will include this clause in any subcontracts at any tier:

A. Including small, minority and women businesses on solicitation lists;

- B. Assuring that small, minority and women businesses are solicited whenever they are potential sources;
- C. Dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation of small, minority and women businesses;
- D. Establishing delivery schedules, where the requirements of the work permits, which will encourage participation by small, minority and women businesses;
- E. Using the services and assistance of the Small Business Administration and the Office of Minority Business Enterprise of the U. S. Department of Commerce, as appropriate; and
- F. Including these steps in any subcontracts awarded under this contract.

30. Recycled Paper

Pursuant to EPA Order 1000.25, dated January 24, 1990, the CONTRACTOR agrees to use recycled paper for all reports which are prepared as a part of the contract and delivered to MDES. This requirement applies even when the cost of recycled paper is higher than that of virgin paper.

31. Hotel/Motel Fire Safety Act of 1990

If, in the course of this contract, the CONTRACTOR conducts meetings at hotels or motels, including, but not limited to, conferences, conventions, training sessions, and seminars, the CONTRACTOR shall conduct such meetings at hotels or motels that are in compliance with the Hotel and Motel Fire Safety Act of 1990 (P. L. 101-391). A list of certified hotels and motels will be provided upon the request of the CONTRACTOR. It is possible to have additional facilities added to the list if sufficient time is allowed.

32. Lobbying Disclosure Act of 1995

If the CONTRACTOR is an organization described in Section 501 (c) (4) of the Internal Revenue Code of 1986, then the CONTRACTOR warrants that it does not and will not, engage in lobbying activities prohibited by the Lobbying Disclosure Act of 1995.

The CONTRACTOR agrees to refrain from entering into any subcontract under this contract with any organization described in Section 501 (c) (4) of the Internal Revenue Code of 1986, unless such organization warrants that it does not, and will not, engage in lobbying activities prohibited by the Act as a special condition of this contract.

33. Stop Work Order

- A. Order to Stop Work. MDES, may, by written order to the CONTRACTOR at any time, and without notice to any surety, require the CONTRACTOR to stop all or any part of the work called for by this contract. This order shall be for a specified period not exceeding ninety (90) days after the order is delivered to the CONTRACTOR, unless the parties agree to any further period. Any such order shall be identified specifically as a stop work order issued

pursuant to this clause. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and take all reasonable steps to minimize the occurrence of costs allocable to the work covered by the order during the period of work stoppage. Before the stop work order expires, or within any further period to which the parties shall have agreed, MDES shall either:

- 1) cancel the stop work order; or
- 2) terminate the work covered by such order as provided in paragraph 27 of this contract.

B. Cancellation or Expiration of the Order. If a stop work order issued under this clause is canceled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the CONTRACTOR shall have the right to resume work. An appropriate adjustment shall be made in the delivery schedule or service price, or both, and the contract shall be modified in writing accordingly, if:

- 1) the stop work order results in an increase in the time required for, or in the CONTRACTOR's cost properly allocable to, the performance of any part of this contract; and
- 2) the CONTRACTOR asserts a claim for such an adjustment within thirty (30) days after the end of the work period of work stoppage; provide that, if MDES decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this contract.

C. Termination of Stopped Work. If a stop work order is not canceled and the work covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop work order shall be allowed by adjustment or otherwise.

D. Adjustments of Price. Any adjustment in contract price made pursuant to this clause shall be determined in accordance with the Price Adjustment Clause of this contract.

34. E-Payment

CONTRACTOR agrees to accept all payments in United States currency via the State of Mississippi's electronic payment and remittance vehicle. MDES agrees to make payment in accordance with Mississippi law on "Timely Payments for Purchases by Public Bodies," which generally provides for payment of undisputed amounts by the agency within forty-five (45) days of receipt of invoice. Miss. Code Ann. § 31-7-305 (1972, as amended).

35. E-Verify

If applicable, CONTRACTOR represents and warrants that it will ensure its compliance with the Mississippi Employment Protection Act of 2008, and will register and participate in the status verification system for all newly hired employees. Miss. Code Ann. §§ 71-11-1 *et seq.* (1972, as amended). The term “employee” as used herein means any person that is hired to perform work within the State of Mississippi. As used herein, “status verification system” means the Illegal Immigration Reform and Immigration Responsibility Act of 1996 that is operated by the United States Department of Homeland Security, also known as the E-Verify Program, or any other successor electronic verification system replacing the E-Verify Program. CONTRACTOR agrees to maintain records of such compliance. Upon request of the State and after approval of the Social Security Administration or Department of Homeland Security when required, CONTRACTOR agrees to provide a copy of each such verification. CONTRACTOR further represents and warrants that any person assigned to perform services hereafter meets the employment eligibility requirements of all immigration laws. The breach of this agreement may subject CONTRACTOR to the following:

- 1) termination of this contract for services and ineligibility for any state or public contract in Mississippi for up to three (3) years with notice of such cancellation/termination being made public;
- 2) the loss of any license, permit, certification or other document granted to CONTRACTOR by an agency, department or governmental entity for the right to do business in Mississippi for up to one (1) year; or,
- 3) both. In the event of such cancellation/termination, CONTRACTOR would also be liable for any additional costs incurred by the State due to Contract cancellation or loss of license or permit to do business in the State.

36. Transparency

This contract, including any accompanying exhibits, attachments, and appendices, is subject to the “Mississippi Public Records Act of 1983,” and its exceptions. See Miss. Code Ann. §§ 25-61-1 *et seq.* (1972, as amended) and Miss. Code Ann. § 79-23-1 (1972, as amended). In addition, this contract is subject to the provisions of the Mississippi Accountability and Transparency Act of 2008. Miss. Code Ann. §§ 27-104-151 *et seq.* (1972, as amended). Unless exempted from disclosure due to a court-issued protective order, a copy of this executed contract is required to be posted to the Department of Finance and Administrations independent agency contract website for public access at <http://www.transparency.mississippi.gov>. Information identified by CONTRACTOR as trade secrets, or other proprietary information, including confidential vendor information or any other information which is required confidential by state or federal law or outside the applicable freedom of information statutes, will be redacted.

37. Paymode

Payments by state agencies using the electronic payment system shall be made and remittance information provided electronically as directed by the State. These payments shall be deposited into the bank account of the CONTRACTOR's choice. The State, may at its sole discretion, require the CONTRACTOR to submit invoices and supporting documentation electronically at any time during the term of this Agreement. CONTRACTOR understands and agrees that the State is exempt from the payment of taxes. All payments shall be in United States currency.

ATTACHMENT A

AUDIT SERVICES SCHEDULE

The following procedures must be performed by the CONTRACTOR after a contract has been awarded:

- Hold an entrance conference with the CONTRACTOR'S auditor-in-charge, MDES Internal Audit Staff, Executive Director, and OSA's authorized representatives prior to commencement of any work in order to determine the scope of services, and other related factors.
- Express an opinion on the fair presentation of the financial statements of each audited fund in conformity with accounting principles generally accepted in the United States of America.
- If applicable, perform certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by auditing standards generally accepted in the United States of America.

The CONTRACTOR shall perform the following procedures at the request of OSA:

- Audit the June 30, 2016, GAAP reporting package and underlying records for completeness and accuracy for inclusion in the State of Mississippi's Comprehensive Annual Financial Report.
- Prepare adjusting entries to the trial balances of each program prepared by the Department of Finance and Administration (DFA) based on the GAAP packages in order to adjust the trial balances. These adjusting entries should be prepared on the DFA adjusting entry standardized forms, submitted to MDES for approval, and submitted to OSA for review and processing within due dates specified by OSA.
- Prepare a letter to management on suggestions for improvement in internal control.
- Conduct an exit conference upon giving prior notice to OSA.
- Obtain a plan of corrective action from MDES in accordance with instructions provided by OSA.
- Submit to OSA a letter of representation.

Following the completion of the audit of the 2016 fiscal year financial statements, the CONTRACTOR shall issue:

- A report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

- A report on compliance and on internal controls based on an audit of financial statements in accordance with Government Auditing Standards.

- A report on compliance with requirements applicable to the Environmental Protection Agency's State Revolving Fund Program in accordance with Government Auditing Standards.

In the required report on internal control over financial reporting, the CONTRACTOR shall communicate material instances of noncompliance and any significant deficiencies found during the audit. Significant deficiencies that are also material weaknesses shall be identified as such in the report.

Deficiencies that were not considered significant enough to be communicated as significant deficiencies shall be reported in a separate letter to management, which shall be referred to in the report on internal controls.

Upon receipt of the final audit reports for each program, OSA will:

- Review the reports
- Approve or reject the reports
- Approve or reject final payment for services rendered.

Upon completion of the audit services, any other required reports should be submitted to OSA's authorized representatives in accordance with the contractual provisions. All final documentation of services shall be submitted no later than the date specified.

CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award document for all subawards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 341, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Printed Name and Title of Authorized Representative

Signature of Authorized Representative

Date